
ATLANTIC PILOTAGE AUTHORITY
DETAILS AND PRINCIPLES REGARDING PROPOSED
REVISED SERVICE CHARGES
2021

GENERAL

Pursuant to Section 33.2 of the *Pilotage Act*, S.C. 1985, c. P-14, this document (“Details and Principles” or “Document”) provides additional details, including methodology, to elaborate upon the Notice of Revised Service Charges dated September 29, 2020 (the “Notice”) where the Atlantic Pilotage Authority’s proposed revised charges are to become effective on January 1, 2021.

This Document includes a description of the proposal, including methodology in relation to establishing or revising the pilotage charges, and the circumstances in which the charges will apply. In developing the charges, the Authority has observed all charging principles established under section 33.2 of the *Pilotage Act*. The financial information below is based on the current budgetary forecasts, and may be revised, following representations obtained under section 33.3. The methodology, as set out in this Document, is of general application and is illustrated through the use of the proposed charges for 2021.

Except for the revisions proposed in the Notice, all the existing charges and related terms and calculations, as set out in the Atlantic Pilotage Tariff Regulations, 1996 (SOR/95-586), are to be reestablished without material change in the Atlantic Pilotage Authority Customer Guide to Charges. Once this occurs the Atlantic Pilotage Tariff Regulations, 1996 (SOR/95-586) will be rescinded.

This Document consists of the following sections:

- 1) *A general overview of the Authority*
- 2) *Traffic outlook*
- 3) *Amounts to recover from customers*
- 4) *Proposed revision to service charge rates*
- 5) *Benefits and cost*
- 6) *Proposed revision to cash and investments*
- 7) *Justification of the proposal in relation to the charging principles*
- 8) *Cost of services*
- 9) *Determination of charges*
- 10) *Consultation*
- 11) *Information regarding the Notice and on making representations to the Authority*

1. GENERAL OVERVIEW OF THE AUTHORITY

The Atlantic Pilotage Authority (the Authority) is a Government of Canada non-agent Crown Corporation established in 1972 pursuant to the *Pilotage Act*. The objective of the Authority is to establish, operate, maintain and administer in the interests of safety of navigation, an efficient pilotage service within the region set out in respect of the Authority. The Authority is tasked with achieving this objective whilst keeping with the following principles:

- a. that pilotage services be provided in a manner that promotes and contributes to the safety of navigation, including the safety of the public and marine personnel, and that protects human health, property and the environment;
- b. that pilotage services be provided in an efficient and cost-effective manner;
- c. that risk management tools be used effectively and that evolving technologies be taken into consideration; and
- d. that an Authority's pilotage charges be set at levels that allow the Authority to be financially self-sufficient.

The system of governance at the Authority is intended to make the corporation self-sustaining. The Authority is governed by a 7-member Board of Directors (the "Board"). The Governor in Council appoints the Chairperson of the Authority and the Minister of Transport appoints the other members of the Board for terms not exceeding four years.

The fundamental elements governing the mandate conferred on the Authority by the *Pilotage Act* include the exclusive right to provide pilotage services to ships in an area of water in which ships are subject to compulsory pilotage, the exclusive ability to set and collect charges for pilotage services provided or made available by the Authority or a contractor acting for the Authority, and the obligation by the Authority to provide these services.

When establishing a new charge for pilotage services or revising an existing charge, the Authority must follow the charging principles set out in section 33.2(1) of the *Pilotage Act*. These principles prescribe that, among other things, charges must not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services. Pursuant to the charging principles, the Board approves the amount and timing of changes to customer service charges. The Board also approves the Authority's annual budget where the amounts to be recovered through customer service charges for the ensuing year are determined.

As noted, the Authority plans its operations to result in an annual financial position in which revenues do not exceed current and future financial requirements related to the provision of compulsory pilotage services. Financial requirements include:

- a. operations and maintenance costs;
- b. management and administration costs;
- c. debt servicing requirements and financial requirements arising out of contractual agreements relating to the borrowing of money;
- d. capital costs and depreciation costs on capital assets;
- e. financial requirements necessary for the Authority to maintain an appropriate credit rating;
- f. tax liability;
- g. payments to the Minister for the purpose of defraying the costs of the administration of this Act, including the development of regulations, and the enforcement of the *Pilotage Act*;
- h. reasonable reserves for future expenditures and contingencies; and
- i. other costs determined in accordance with accounting principles recommended by the Chartered Professional Accountants of Canada or its successor or assign.

The financial statements and Management's Discussion and Analysis (MD&A), issued quarterly and annually provide extensive information on the revenues and expenses of the Authority.

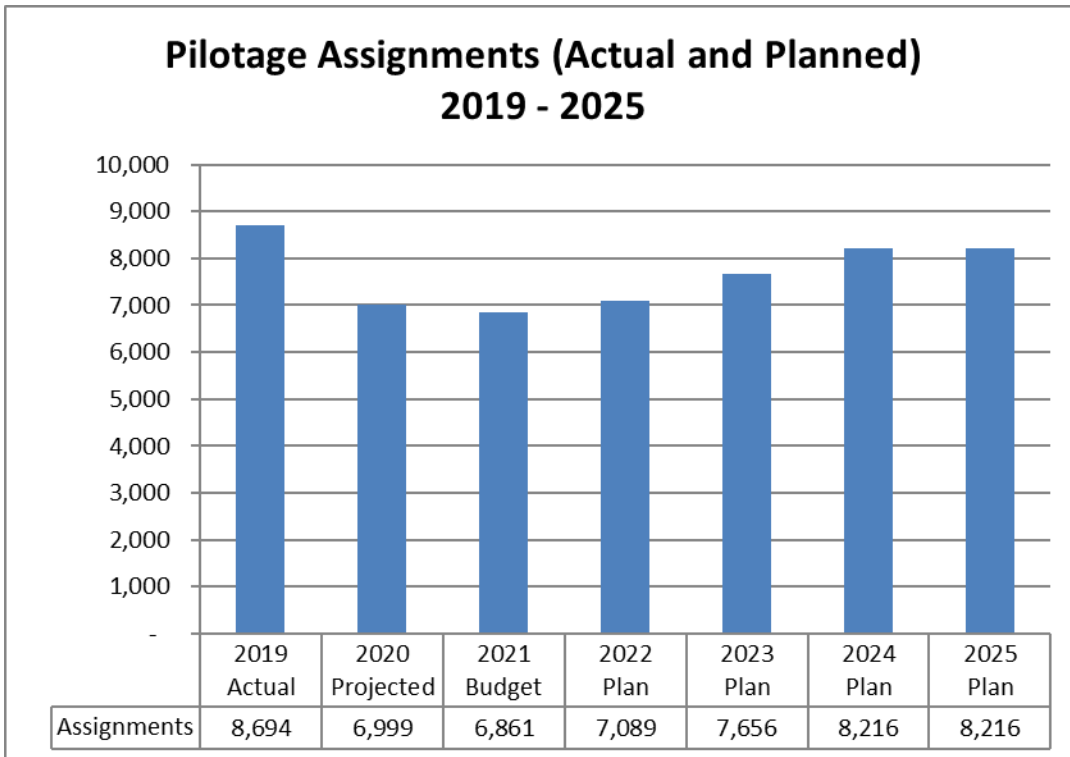
These documents are available at www.atlanticpilotage.com.

2. VOLUME OUTLOOK

The chart below illustrates the annual assignments for 2019, the outlook for 2020, and the forecast included in the Corporate Plan for 2021-2025. The planning assumptions of the Authority are based on historical traffic levels, shipping announcements, and information provided directly to the Authority by stakeholders through consultation.

The Authority had experienced strong levels of traffic since 2016. The global coronavirus pandemic (or “COVID-19”) has impacted shipping traffic in a number of sectors that has affected the Authority. The budget is based on what is known at this time with input from consultation meetings, and projects a slow recovery from COVID-19. There are projects being considered by industry that may grow traffic within this planning period, but the Authority has adopted a conservative stance on possible growth.

The total number of assignments for 2020 is estimated to be 6,999, a decrease from the 2019 activity levels of 8,694 assignments. The amount of activity in ports serviced by the APA can vary significantly due to factors that are beyond its control.



The Authority has seventeen compulsory ports and also provides non-compulsory services in other areas. Each port or area is treated as a separate cost centre with its own tariff structure. Therefore, trends in activity are analyzed on a port-by-port bases and are displayed below.

TRAFFIC SUMMARY								
	ASSIGNMENTS							
	ACTUAL	PROJECTED	BUDGET	BUDGET		PLAN		
	2019	2020	2020	2021	2022	2023	2024	2025
COMPULSORY TRAFFIC								
SALARIED PORTS								
HALIFAX	2,682	2,315	2,933	2,223	2,268	2,437	2,664	2,664
SAINT JOHN	1,844	1,600	1,843	1,547	1,589	1,655	1,757	1,757
STRAIT OF CANSO	621	554	696	532	532	580	611	611
SYDNEY	441	191	485	172	236	313	426	426
BRAS D'OR	4	4	4	4	4	4	4	4
PLACENTIA BAY	1,373	1,056	1,177	1,181	1,181	1,253	1,280	1,280
ST. JOHN'S	559	451	535	376	360	422	474	474
HOLYROOD	33	30	34	32	32	32	31	31
HUMBER ARM	205	199	234	211	221	231	240	240
BAY OF EXPLOITS	67	64	90	64	64	64	67	67
STEPHENVILLE	34	40	40	40	40	40	40	40
TOTAL SALARIED PORTS	7,863	6,504	8,071	6,382	6,527	7,031	7,594	7,594
ENTREPRENEURIAL PORTS								
PUGWASH	90	88	100	87	87	87	87	87
MIRAMICHI	25	18	20	18	18	18	18	18
RESTIGOUCHE	24	2	2	2	2	2	2	2
BELLEDUNE	-	-	125	-	125	125	125	125
VOISEY'S BAY	41	37	10	16	16	16	16	16
CHARLOTTETOWN	277	71	260	78	124	176	275	275
CONFEDERATION BRIDGE	106	73	120	75	85	94	99	99
TOTAL ENTREPRENEURIAL PORTS	563	289	637	276	457	518	622	622
NON-COMPULSORY TRAFFIC								
BELLEDUNE	125	98	-	98	-	-	-	-
OTHER NON-COMP	143	108	112	105	105	107	-	-
TOTAL NON-COMP TRAFFIC	268	206	112	203	105	107	-	-
TOTAL TRAFFIC	8,694	6,999	8,820	6,861	7,089	7,656	8,216	8,216

3. FISCAL 2021 AMOUNTS TO RECOVER FROM CUSTOMERS

Based on the volume outlook from section 2, the preliminary budget costs for fiscal 2021 are expected to be \$27.9 million. The following table sets out the specific amounts to recover in fiscal 2021, as compared to the actual costs for fiscal 2019 and the projected costs for fiscal 2020.

Operating Expenses	Fiscal 2019 Actual	Fiscal 2020 Projected	Fiscal 2021 Forecast
PILOT SALARIES, ETC	13,300	12,967	13,156
PILOT BOATS	6,509	5,458	5,597
PILOT BOAT CREWS' REMUNERATION	2,087	2,036	2,078
STAFF SALARIES	1,952	2,075	2,038
AMORTIZATION	1,848	1,952	2,273
TRANSPORTATION	970	831	835
OTHER EXPENSES	761	805	761
PROFESSIONAL SERVICES	343	458	411
TRAINING	442	187	345
FINANCING COSTS	182	158	268
TRANSPORT CANADA PAYMENTS	-	103	210
TOTAL OPERATING EXPENSES	28,394	27,030	27,972

The Authority's budget for 2021 does not include the full recovery of the \$27.9 million in costs as per the table above forecasted for fiscal 2021. Only \$26.5 million in revenues are budgeted. The resulting loss of \$1.4 million will be financed by the amount that remains in reserve at the end of 2020, and short-term borrowing. A portion of the accumulated savings for severance will be used for all severance payments during the year and the accumulated savings for capital investment will be exhausted.

The Authority's capital program includes expenditures of \$16.0 million spread over the period from 2020 to 2022 and includes \$8.6 million for two new pilot boats for Placentia Bay, NL. The Authority plans to use \$2.7 million that was saved for capital asset replacement and finance \$9.2 million through long-term loans and capital leases. The balance will be drawn from regular operating cash flows, or short-term debt, and represents the regular capital repairs required for the Authority's assets. Due to current uncertainty regarding traffic, the new pilot boat project may be delayed until there is greater certainty.

Cost Analysis

Overall operating expenses in fiscal 2021 are expected to increase by \$934,000 over the 2020 projected results. Drivers of the material increases in costs are as follows:

1. Pilot costs are expected to increase by \$189,000 in fiscal 2021 driven by:
 - a. training pilots progressing through licences; and
 - b. contractual remuneration increases.
2. Pilot boat costs are expected to increase by \$138,000 in fiscal 2021. This item does include fuel costs and will increase with the addition of a new vessel during the year.
3. Staff salaries are similar to 2020 when a Marine Superintendent was added.
4. Amortization and finance costs increase with the execution of the capital replacement program.
5. Training costs decreased in 2020 due to travel limitations associated with COVID-19. These limitations are budgeted to be lifted in 2021 as the training program resumes. Training is based on a schedule that is tied to licence progression and refresher courses.

6. *Pilotage Act* administration costs of \$210,000 will be incurred for fiscal 2021, a \$107,000 increase over the allocated amount for 2020. This is the new fee administered by Transport Canada to the Authority for administration of the Act.

Operational Analysis

- Safety is paramount to the Authority. The Authority completed 8,694 assignments during 2019 where 99.94% were without a reported pilotage incident. In 2018, 99.95% of assignments were incident free, while in 2017 it was 99.94%. There were no injuries or environmental contamination due to any of the incidents reported. This effectiveness is expected to continue in 2020 and beyond.
- The Authority aims to provide pilotage service within one hour of the confirmed ordered time on 100% of its assignments. In 2019, the Authority provided a pilot within this time frame on 99.1% of its assignments (99.2% in 2018 and 99.5% in 2017).
- The number of assignments completed in 2019 without a registered complaint was 99.6% of the total assignments (99.7% in 2018 and 99.8% in 2017).
- The total time of delay caused by the Authority in 2019 was 189 hours (215 in 2018 and 111 in 2017). The average length of a delay was 2.88 hours in 2019 (3.21 in 2018 and 2.65 in 2017).
- The Authority had 48.8 fulltime equivalent employee pilots in 2019. This will increase to 51.8 in 2020 as the Authority prepares for planned retirements and will decline to 49.0 in 2021. The employee pilots provide service for eleven of the seventeen compulsory ports and are licenced for their individual ports or districts. They cannot be easily transferred due to the specific training and local knowledge that is required to gain their licence.
- The salaried pilots performed 93.3% of the compulsory area assignments in 2019 (93.4% in 2018 and 94.2% in 2017). Of these assignments in 2019, 21.9% were completed on recall or call-back (21.4% in 2018 and 20.3% in 2017) This overtime rate is expected to fall in 2020 with the reduction in traffic.
- The remaining 6.7% of compulsory assignments in 2019 were completed by entrepreneurial pilots. These pilots are paid a rate per assignment which is entirely based on revenues earned by the Authority in these six compulsory ports.
- Due to the challenges of port pilotage, all areas have pilots specifically licenced for each area, and a pilot boat service to shuttle the pilot to and from visiting vessels. These factors limit the savings or efficiencies that can be achieved during periods of weak traffic. But during the pandemic, the localized workforce and management representation was essential when operating in four provinces when travel was restricted.
- The Authority has several models for supplying pilot boat services for the seventeen compulsory ports. Depending on the requirements for the specific area, the model is chosen that is the most efficient and cost effective for users while providing safe transport for the pilots.

4. PROPOSED REVISION TO SERVICE CHARGE RATES

The Authority experienced declining traffic in a number of ports that began before the pandemic which was magnified by the economic impacts of COVID-19. As identified in section 3, in order for the Authority to maintain its financial self-sufficiency in fiscal 2021, it would have to adjust its base rates to offset pre-COVID-19 declining traffic and implement a deficit reduction additional charge to recover COVID-19 caused losses over the medium-term outlook. The financial goals associated with the increases are as follows:

- Adjust regular tariffs in ports where:
 - Pre-COVID-19 traffic levels were falling or are expected to fall.
 - Investments are being made in the port that are increasing costs to improve the effectiveness and reliability of the service.
- Adjust tariffs in ports serviced by entrepreneurial pilots to ensure there are licenced pilots available to provide the service.
- Absorb the COVID-19 losses by using short-term debt. Implement a deficit reduction additional charge to recover these losses over the medium term.

The pandemic and ensuing recession has made the Authority's modelling of assignments for 2021 more difficult in a number of areas and sectors. Even though there is evidence of material declines in activity in some ports unrelated to COVID-19, the Authority has capped the base rate increases at 3% for 2021.

a) Fiscal 2021 Base Rate Calculations

To determine the rate changes required in fiscal 2021, the forecast revenues and amounts to recover (expenses, capital expenditures and reserves) are compared. The Authority's activity and related budgeting procedures have been upgraded each year and rely heavily on information provided by stakeholders through consultation. Over the past five years, the actual assignments serviced was within 1.4% of activity budgeted and the corresponding revenues were within 3.6% of budget over this period.

Due to the unique nature of pilotage in the Atlantic region, the Authority strives for area-by-area and port-by-port financial self-sufficiency over the longer-term. This is in an effort to minimize cross-subsidization between stakeholders.

- 1) Effective January 1, 2021 there will be increases in port-by-port tariffs for one-way trips, thru trips, and movages in fourteen compulsory ports to offset decreasing activity or increasing capital investments as described earlier. The impact of these increases represents a 2.1% increase in total revenues, or \$535,000. The rate increases and annual expected impact by port are summarized below:

Port	Tariff Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Strait of Canso, NS	3.00%	\$61	(\$508)	(\$448)	Recent declines in traffic Pre-COVID-19.
Bay of Exploits, NL	3.00%	\$6	(\$65)	(\$59)	Recent declines in traffic Pre-COVID-19.
Stephenville, NL	3.00%	\$3	(\$61)	(\$58)	Offset increase in allocated costs due to addition of pilot boat service.
Pugwash, NS	2.00%	\$2	(\$11)	(\$11)	Increase to assure service availability (Entrepreneurial Pilots)
St. John's, NL	3.00%	\$27	(\$227)	(\$200)	Recent declines in traffic Pre-COVID-19 due to pilotage certificates.
Holyrood, NL	3.00%	\$2	\$4	\$6	Has same tariff and shares resources with St. John's.
Halifax, NS	3.00%	\$159	(\$1,305)	(\$1,145)	Recent declines in traffic Pre-COVID-19.
Sydney, NS	3.00%	\$15	(\$576)	(\$561)	Recent declines in traffic Pre-COVID-19.
Saint John, NB	3.00%	\$136	(\$772)	(\$637)	Expected decline in traffic Pre-COVID-19.
Bras d'Or Lakes	2.00%	\$1	(\$11)	(10)	Offset increase in allocated costs
Charlottetown, PE	2.00%	\$3	(\$3)	(\$3)	Increase to assure service availability (Entrepreneurial Pilots)
Confederation Bridge, PE	2.00%	\$3	(\$7)	(\$7)	Increase to assure service availability (Entrepreneurial Pilots)
Miramichi, NB	2.00%	\$1	(\$3)	(\$2)	Increase to assure service availability (Entrepreneurial Pilots)
Restigouche, NB	2.00%	\$1	(\$1)	\$0	Increase to assure service availability (Entrepreneurial Pilots)

- 2) Effective January 1, 2021 there will be an increase in the pilotage charge for the compulsory pilotage area of Voisey's Bay, NL. The daily rate will increase from \$1,000 to \$1,200. This rate has not changed in the past 12 years. The increase is meant to assure the Authority can attract and maintain a pool of licenced entrepreneurial pilots for the area.

Port	Tariff Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Voisey's Bay, NL	20%	\$19	(\$1)	\$2	Increase to assure service availability as there has been a 12-year period with no increase. (Entrepreneurial Pilots)

- 3) Effective January 1, 2021 there will be increases in port-by-port tariffs for one-way trips and movages for all non-compulsory ports. The Authority provides pilots for these areas upon request if there are licenced pilots available. There is no requirement to do so, therefore the tariff must be set at a rate that attracts these entrepreneurial pilots to accept these requests when desired by industry.

The unit charge for a one-way trip will be increased by 3.0%, while the minimum charge for these trips will be set at \$800. The movage charge will be a flat fee of \$680.

Port	Trip Tariff Increase	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Belledune, N.B.	3.00%	\$12	\$0	\$2	Increase to assure service availability (Entrepreneurial Pilots)
Sheet Harbour, N.S.	3.00%	\$2	\$1	\$1	Increase to assure service availability (Entrepreneurial Pilots)
Summerside, P.E.I.	3.00%	\$1	\$0	\$0	Increase to assure service availability (Entrepreneurial Pilots)
Any port or harbour area that is a non-compulsory pilotage area	3.00%	\$1	\$0	\$0	There have been no assignments recently in any other area.

b) Pilot Boats

Effective January 1, 2021 a charge for the use of a pilot boat, equal to the actual cost of hiring a pilot boat, will apply to Stephenville, NL. The pilot boat used to be charged directly through the port authority in the area but is now the responsibility of the Authority. The Authority did not have this captured in its previous tariffs for the area. The current rate being charged to the Authority is \$1,500 per assignment.

Port	Pilot Boat Charge	Annual Impact ('000's)	Budgeted Profit (Loss) without Increase ('000's)	Budgeted Profit (Loss) with Increase ('000's)	Comments
Stephenville, NL	\$1,500	\$60	(\$58)	\$2	Recover the cost of the pilot boat that used to be paid by the users directly.

c) Coastal Areas — One-Way Trips and Movages

Effective January 1, 2021 all daily fees associated with coastal areas will increase by 3%. The total annual impact will be under \$1 thousand.

d) Other Changes

Effective January 1, 2021 the Authority will be increasing other charges as follows in order to better align them with the costs associated with those activities. The following rates have not been changed in the previous 10-year period. The annual impact of these changes is estimated to be approximately \$20,000.

- I. Dead Ships – the method of calculation is not changing in this proposal. The actual charge will be increased based on the above increases for Trips and Movages as the charge for a trip or movage of a dead ship is an amount equal to twice the charge that would be payable if the ship were not a dead ship.
- II. Oil Rigs – The charges related to oil rigs has not been changed in over 15 years. These assignments require a significant time investment for the Authority and its pilots. The unit charge for these assignments is being increased by 10% with the minimum increasing to \$2,800 from \$1,174. The total annual impact will be approximately \$11,000.
- III. Pilot Boats - With the addition of a pilot boat charge in 3 b) above, the following charges will apply as follows:
 - (1) The charge for the use of a pilot boat to embark or disembark a pilot for pilotage service on an oil rig in a compulsory pilotage area set out in column 1 of Schedule 1 is the basic charge set out in column 4 of that item.
 - (2) The charge for the use of a pilot boat if a request for the service of a pilot boat is cancelled after the pilot has embarked on the pilot boat in a compulsory pilotage area set out in column 1 of Schedule 1 is the basic charge set out in column 4 of that item.
 - (3) The charge for the use of a pilot boat to embark or disembark a pilot for pilotage service on a safety watch in a compulsory pilotage area set out in column 1 of Schedule 1 is the basic charge set out in column 4 of that item.
 - (4) The charge for the use of a pilot boat to embark or disembark a pilot for pilotage service in a non-compulsory pilotage area is

(a) the basic charge set out in column 4 of that item, if the pilot boat is dispatched from a compulsory pilotage area are as set out in column 1 of Schedule 1; and

(b) the actual cost of hiring the pilot boat, if the pilot boat is dispatched from a non-compulsory pilotage area.

(5) Despite subsections (1) and (3), in the following compulsory pilotage areas, the charge for the use of a pilot boat to embark or disembark a pilot for pilotage service is the actual cost of hiring the pilot boat:

(a) Pugwash, Nova Scotia, at any time during the year;

(b) Charlottetown, Prince Edward Island, at any time during the year;

(c) Humber Arm, Newfoundland and Labrador, during the period beginning on December 15 in one year and ending on April 15 in the next year;

(d) Stephenville, Newfoundland, at any time during the year;

(e) Miramichi, New Brunswick, at any time during the year; and

(f) Restigouche, New Brunswick, at any time during the year.

(6) Despite subsection (2), in the following compulsory pilotage areas, the charge for the use of a pilot boat if a request for the service of a pilot boat is cancelled after the pilot has embarked on the pilot boat is the actual cost of hiring the pilot boat:

(a) Pugwash, Nova Scotia, at any time during the year;

(b) Charlottetown, Prince Edward Island, at any time during the year;

(c) Humber Arm, Newfoundland and Labrador, during the period beginning on December 15 in one year and ending on April 15 in the next year;

(d) Stephenville, Newfoundland, at any time during the year;

(e) Miramichi, New Brunswick, at any time during the year.

(f) Restigouche, New Brunswick, at any time during the year.

- IV. Locks – The charge for the passage of a ship through the Canso lock or St. Peter's lock will increase to \$174 from \$158.
- V. Trial trips – The charge for a trial trip will increase to \$363 from \$330 for the first three hours, and to \$132 from \$120 for each hour or part of an hour after.
- VI. Compass Adjustments – The charge for a compass adjustment will increase to \$363 from \$330 for the first three hours, and to \$132 from \$120 for each hour or part of an hour after.
- VII. Dry Dock – The charge payable where a pilot conducts a ship into or out of a dry dock, floating dock, graving dock, or onto or off of a syncrolift or a cradle is will increase to \$183 from \$166.
- VIII. Detention on Board Ship – The charge for the second hour of detention will increase to \$231 from \$210. The charge for each hour or part of an hour

beyond will increase to \$132 from \$120. The maximum charge for any 24-hour period will increase to \$1,023 from \$930.

- IX. Detention on Shore – The charge for each hour or less of detention will increase to \$132 from \$120. The maximum charge for any 24-hour period will increase to \$1,023 from \$930.
- X. Detention on Oil rigs - Where, owing to adverse weather conditions, a pilot is unable to disembark from an oil rig after the pilot has piloted the oil rig or been on duty on board the oil rig to perform a safety watch, the charge is an amount equal to the pilotage charge payable under section g (ii).
- XI. Travel and Other Expenses of Pilots – Travel, meal and lodging expenses incurred by a pilot that are directly related to a pilotage assignment are payable as pilotage charges. This will not be changing at this time.
- XII. In-Transit Charges - The charge for the first two hours of in-transit will increase to \$231 from \$210. The charge for each hour or part of an hour beyond will increase to \$132 from \$120. The maximum charge for any 24-hour period will increase to \$1,023 from \$930.
- XIII. Overcarriage Charges – The charge for the first two hours of an overcarriage will increase to \$231 from \$210. The charge for each hour or part of an hour beyond will increase to \$132 from \$120. The maximum charge for any 24-hour period will increase to \$1,023 from \$930.
- XIV. Safety Watches – The charge for the first two hours of a safety watch will increase to \$231 from \$210. The charge for each hour or part of an hour beyond will increase to \$132 from \$120. The maximum charge for any 24-hour period will increase to \$1,023 from \$930.

Where the safety watch is on an oil rig, the minimum charge will be increased to \$2,800 from \$1,174 while the unit charge is increased to \$1.85 from \$1.68.
- XV. Cancellations – The maximum charge for a cancellation will be increased to \$1,000 from \$900.
- XVI. Tugs and Barges - For greater certainty, where pilotage services are provided for a tug and barge or barges, the pilotage unit to be used in the formula when calculating any charges is the sum of the pilotage units of each ship that is subject to compulsory pilotage or in respect of which pilotage services are requested. This method is not changing at this time.
- XVII. Charges per Pilot - For greater certainty, where the services of more than one pilot are used, the charges for those services shall be determined by multiplying the number of pilots by the charges prescribed in this guide. This method is not changing at this time.

e) Deficit Additional Charge

For a period of five years that begins on January 1, 2021, an additional charge of 4.0% will be payable on each flat charge, minimum charge, unit charge, basic charge and cancellation charge payable to the Authority for pilotage service provided in the following pilotage areas:

- I. Bay of Exploits (Botwood and Lewisporte), N.L.;
- II. Holyrood, N.L.;
- III. Humber Arm, N.L.;
- IV. Placentia Bay, N.L.;
- V. St. John's, N.L.;
- VI. Stephenville, N.L.;
- VII. Cape Breton (Zone A, Sydney), N.S.;
- VIII. Cape Breton (Zone B, Bras d'Or Lake), N.S.;
- IX. Cape Breton (Zones C and D, Strait of Canso), N.S.;
- X. Halifax, N.S.; and
- XI. Saint John, N.B.

This charge is intended to stabilize the Authority's available cash balance for operating by the end of the fifth year. The Authority will review this charge annually to assess whether it is required to continue to its expiration date.

5. BENEFITS AND COSTS

A cost-benefit analysis was conducted to determine the impact of the tariff rate increase. It covers a 10-year period starting in the first year of the increase (2021 to 2030). According to the analysis, the increase in the regular rates for pilotage services will generate additional average annual revenues of \$622,000 (in constant 2020 dollars) over the next 10 years and a total equivalent cost for the industry. This includes an assumption that traffic volumes will increase during a recovery from the COVID-19 caused decline.

The deficit reduction additional charge is assumed to be in place for the full five - year period in this analysis. Over this period, it will generate average annual revenues of \$1.052 million.

Higher pilotage tariff rates will ensure the financial self-sustainability of the Authority as well as the uninterrupted provision of efficient and timely pilotage services.

Quantified impacts (in Canadian dollars, 2020 price level / constant dollars)

Cost-benefit statement

Discount rate: 7%		Base Year 2021	2022	2023	Final Year 2030	Total (PV)	Average
Costs	Regular Tariffs - Shipping industry	\$535,000	\$559,000	\$606,000	\$645,000	\$4,337,000	\$622,000
	Deficit Additional Charge - Shipping industry	\$905,000	\$955,000	\$1,056,000	\$0	\$4,271,000	*\$1,052,000
	Total – Shipping Industry	\$1,440,000	\$1,514,000	\$1,662,000	\$645,000	\$8,532,000	\$1,138,000
Net benefits						—	—

*Average over the five-year period it is effective.

B. Qualitative impacts

Shipping industry	Safe, efficient and timely pilotage services in navigable waters within the Authority's jurisdiction.
Atlantic Pilotage Authority	The Authority's financial self-sufficiency, activities are maintained as well as sustainability of assets.
Canadians	Safe shipping in the Atlantic Pilotage Area. Sustainability of the Atlantic Pilotage Authority will prevent layoffs and the associated consequences of unemployment.
Canadian importers and exporters	Potential for the shipping industry to pass on the cost of the increased tariff rate to importers and exporters in the Atlantic Pilotage Area.

6. PROPOSED REVISION TO CASH AND INVESTMENTS

Charges are set based on the Authority's financial requirements, which consider projected volumes and planned expenditures. Since actual revenue and expenses will differ from these estimates, methods to accumulate the variance are required so that they may be considered when setting future charges and so that no going concern risks are unintentionally introduced into the Authority. There is also a need to absorb unpredictable factors – mainly fluctuations in traffic volumes resulting from unforeseen events (i.e. refinery closures or slowdowns, certificate issuance, lines leaving the Atlantic region).

When determining the level of charges, the Authority considers its current and future financial requirements. Among other things, the following are considered when establishing service charges:

- the Authority's financial requirements and the extent to which operating costs are variable;
- the expected upcoming capital costs and the extent to which borrowing is introduced; and
- the current and anticipated balance in the cash and investment account.

The primary measure of the Authority's financial self-sufficiency is its net cash flow position. The actual and projected cash flow results are summarized below, as are the budgeted cash and savings balances:

	Fiscal 2019 Actual	Fiscal 2020 Projected	Fiscal 2021 Forecast
Cash Provided by (used for) Operating Activities	4,409	(1,024)	1,014
Cash Flows Financing Activities			
Cash Provided from Borrowing	-	825	8,409
Loan and Lease Payments	(809)	(866)	(1,077)
Cash Provided by (used for) Financing Activities	(809)	(41)	7,332
Cash (used for) Investing Activities – Capital Additions	(1,730)	(4,308)	(8,918)
Total Change in Cash	1,870	(5,373)	(572)
Total Cash End of Year			
Cash Balance and Reserve	4,359	886	128
Savings – Capital Asset Replacement	2,700	1,000	1,386
Savings – Future Severance Liabilities	900	700	500
Total Cash End of Year	7,959	2,586	2,014

The Authority has set the following goals to measure its long-term financial self-sufficiency:

Operating Cash Balance and Reserve – The Authority has a target based on current assets and current liabilities for its operating balance and reserve. Excess cash beyond this requirement is moved to savings for the purposes listed below.

Due to COVID-19 related declines, the reserve has been needed to fund the operation and the Authority expects it will use short-term financing at times for several years to fulfill its mandate. The current plan is to begin accumulating a reserve again by the end of 2024 and moving towards achieving the target by the end of 2026.

Savings for Capital Asset Replacement - The Authority has established a long-term fleet renewal strategy that includes an investment in new vessels that began in 2020. Also included in this strategy are mid-life refits and scheduled future construction.

The dedicated savings for this purpose will be exhausted when the construction of the two new vessels are complete. The plan assumes an increase in the previously anticipated long-term borrowing towards this project as the cash balances of the Authority have been negatively impacted by COVID-19. The borrowed funds will be accumulated in this account and the entirety of the savings used by the end of the build process. The Authority will not contribute future funds towards this dedicated savings purpose until the financial reserve targets are met.

Savings for Future Severance Liabilities - A part of the Authority's financial goals is to fund the future severance liabilities for employees who have this legacy benefit. There are years where larger payments are required that have short-term impact on cash flows. Having this fund allows for these payments to be made out of savings and not impact cash requirements funded by users in those years.

Due to cash shortfalls caused by COVID-19, savings in this fund will be used over the next few years make these severance payments and will be exhausted by the end of 2022. The Authority will not contribute future funds towards this dedicated savings purpose until the financial reserve targets are met.

The review and determination of an appropriate corporate contingency, in which cash and savings are included, is undertaken annually and will be an input in the setting of future charges.

7. JUSTIFICATION OF THE PROPOSAL IN RELATION TO THE CHARGING PRINCIPLES

The principles governing the establishment of new charges or the revision of existing charges by the Authority are set out in section 33.2 of the *Pilotage Act*. Each of the principles is presented below in italics, followed by an explanation of how the Notice complies with that principle.

33.2 (1) a. Pilotage charges shall be established and revised in accordance with an explicit methodology – that includes and conditions effecting the pilotage charges – that the Authority has established and published;

The methodology, which is reflected in this Document has been placed on the Authority's website as required under s. 33.2 of the *Pilotage Act*. Based on this information, any person subject to the Authority's charges can calculate the amount that would be payable for a given pilotage job.

33.2 (1) b. that pilotage charges be structured in a way that does not encourage the user to engage in practices that diminish safety for the purpose of avoiding a charge;

The Authority's charges are not structured in such a manner that safety may be impacted. Given the fact that pilotage services are mandatory in the compulsory waters where a risk assessment has determined that pilotage is required for safe transit; users are not given the ability to choose whether to use the services of a pilot in these areas. In addition, the structure of the Authority's charges is such that they cannot be avoided or diminished through adjusting operations in a manner that reduces safety. Ports currently classified as non-compulsory areas have not been deemed unsafe through risk assessment.

33.2 (1) c. that pilotage charges be the same for Canadian users or ships and foreign users or ships;

There is no differentiation in the proposed revised charges for an assignment whether the vessel is domestic or foreign.

33.2 (1) d. that pilotage charges be set at levels that allow the Authority to be financially self-sufficient and be fair and reasonable;

The proposed charges are based on an allocation of operating and capital costs, that allow the Authority to fulfill its mandate and achieve its mission. The increases are fair and reasonable considering the increasing costs of business, the shorter-term impacts of COVID-19, and longer-term changes in anticipated traffic levels.

33.2 (1) e. that pilotage charges not be set at levels that, based on reasonable and prudent projections, would generate revenues exceeding the Authority's current and future financial requirements related to the provision of compulsory pilotage services;

The Authority's charges are set knowing that it will not be able to recover all of the Authority's 2021 annual expenses net of other revenues determined in accordance with International Financial Reporting Standards (IFRS) and the costs of complying with certain financial requirements, as described in detail in subsection 33.2 (2) of the *Pilotage Act*.

For fiscal 2021, the Authority is not expected to generate sufficient resources to initiate its capital replacement strategy without exhausting its operating reserves and requiring additional financing. The charges are set to return the Authority's finances to a more stable position over several years.

8. COST OF SERVICES

The Authority records costs for each port or district in which pilotage services are provided and does so in accordance with IFRS. There are currently 23 service delivery centres that represent ports with recent activity. The abundance of costs are directly attributable to a service centre, with resources available and used within the individual ports. Pilots are licenced for specific ports, pilot boat services and facilities are localized, and other costs are generated by specific pilotage assignments. Shared costs include administrative overhead, dispatch centre costs, and training costs and are allocated based on activity measures or licenced pilot resources.

a) Cost Allocation Methodology

When determining the charges and measuring subsequent results, the direct costs for resources available to the area are applied to that individual service delivery centre. These costs include:

- Pilot salaries and benefits;
- Pilot boat costs and crewing services;
- Local wharves and structures costs;
- Depreciation and financing costs related to the above;
- Communications and other equipment related to the above; and
- Professional services or activities specific to the port or area.

Variable costs that are driven by activity in the specific area are also charged against that centre where they are incurred. These costs include:

- Pilot boat fuel; and
- Pilot and crew travel costs

Other costs that are not attributable to any single service delivery centre are allocated proportionally to their directly attributed costs.

b) Cost Allocation Process

Individual budgets are developed for each of the cost centres using the actual costs for the previous year as the foundation. These costs are then adjusted for contractual changes and commitments, planned alterations to area resources, and expected changes in vessel activity.

- Pilot resources are licenced for specific ports. The expected costs of these resources are allocated to these individual ports or areas. Where pilots are licenced for more than one port within a district, the hours worked in each port will form the basis of the allocation.
- Pilot boat costs and crewing expenses are local resources and costs are assigned only to that area.
- Local wharves, storage facilities, and pilot/crewing offices have costs that are also charged directly to the specific cost centre.
- The assets above have depreciation and financing costs related to them that are also charged directly to the area.
- Other expenses directly related to outfitting the locally licenced pilot or services in the area are directly charged to those areas.

The variable costs for each port, including pilot boat fuel costs and transportation costs, are budgeted based on a forecast of pilotage activity. The Authority uses several sources of information to predict traffic levels such as traffic patterns of previous years combined with changes within individual business sectors, announced or expected expansions or reductions, and general economic conditions.

The allocated costs are determined through the development of administration, dispatch, and training budgets. These budgets are based on historical costs, contractual agreements, and training requirement triggers. These costs are then charged to service delivery centres based on resources and activity levels for each.

9. DETERMINATION OF CHARGES

The Authority's aim when determining charges is to strive for area-by-area and port-by-port financial self-sufficiency over the longer-term. Rates are set on a port-by-port basis to achieve this aim. This is in an effort to minimize cross-subsidization between stakeholders.

Charges are applied to a pilotage assignment based on the type of movement, status of pilotage requirements for the area, and the definitions below:

Definitions:

- **One-Way Trips**
 - means the passage of a ship from
 - (a) outside a compulsory pilotage area or non-compulsory pilotage area to any place inside that area (inward), or
 - (b) inside a compulsory pilotage area or non-compulsory pilotage area to any place outside that area (outward);
- **Trips Through**
 - means the continuous passage of a ship from outside a compulsory pilotage area into that area and out of that area again.
- **Movages**
 - means the manoeuvring of a ship from one berth to another or back to the same berth within a compulsory pilotage area or a non-compulsory pilotage area, but does not include the warping of a ship from one berth to another solely by means of mooring lines attached to a wharf, to the shore or to a mooring buoy unless a pilot is employed;
- **Compulsory pilotage area** means an area established as a compulsory pilotage area by section 3 of the *Atlantic Pilotage Authority Regulations*.
- **Non-compulsory pilotage area** means a port or harbour area described in Appendix C of the Customer Guide to Charges or a coastal area.
- **Coastal area** means that part of the waters of the Atlantic Pilotage Authority area that is outside the compulsory pilotage areas and located
 - **(a)** in and around Nova Scotia south and southwest of Halifax,
 - **(b)** in the Bay of Fundy and the waters contiguous to the Bay of Fundy, or
 - **(c)** to the south and southwest of the outer approaches to Chedabucto Bay;

- **Berth** includes a wharf, pier, anchorage and mooring buoy.
- **Breadth**, in respect of a ship, means the maximum distance, in metric units, between the outside edges of the shell platings of the ship.
- **Dead ship** means a self-propelled ship that is without the use of its propelling power or its rudder, but does not include a ship warped from one berth to another solely by means of mooring lines attached to a wharf, to the shore or to a mooring buoy.
- **Length**, in respect of a ship, means the distance, in metric units, between the fore and aft extremities of the ship.
- **Moulded depth**, in respect of a ship, means the vertical distance, in metric units, at amidships from the top of the keel plate to the uppermost continuous deck, fore and aft, that extends to the sides of the ship and, for the purposes of this definition, the existence of tonnage openings, engine spaces or a step in the deck is not regarded as an interruption of the continuity of the deck.
- **Pilot boat** means a boat used by the Authority to embark or disembark pilots.
- **Pilotage unit**, in respect of a ship, means the figure obtained by multiplying its length by its breadth and moulded depth and dividing the product by 283.17.

Calculations:

Based on the area or port, the calculations used to determine the cost to a vessel are as follows:

References to Tables in the calculation of charges below refer to the following Tables:

A. COMPULSORY PILOTAGE AREAS — ONE-WAY TRIPS (TABLE 1)

	Column 1	Column 2	Column 3	Column 4	Column 5
Item	Compulsory Pilotage Area	Minimum Charge (\$)	Unit Charge (\$/pilotage unit)	Basic Charge (\$)	Budgeted Fuel Consumption (litres)
1	Saint John, N.B.	1,891.00	4.91	1,059.00	110.00
2	Miramichi, N.B.	1,873.00	6.30	565.00	n/a
3	Restigouche (Zone A, Dalhousie and Zone B, Campbellton), N.B.	2,040.00	9.16	1,020.00	n/a
4	Halifax, N.S.	1,732.00	3.04	779.00	140.00
5	Cape Breton (Zone A, Sydney), N.S.	2,637.00	7.66	1,284.00	108.00
6	Cape Breton (Zone B, Bras d'Or Lake), N.S.	3,059.00	13.50	2,180.00	108.00

	Column 1	Column 2	Column 3	Column 4	Column 5
Item	Compulsory Pilotage Area	Minimum Charge (\$)	Unit Charge (\$/pilotage unit)	Basic Charge (\$)	Budgeted Fuel Consumption (litres)
7	Cape Breton (Zones C and D, Strait of Canso), N.S.	1,813.00	4.88	1,323.00	290.00
8	Pugwash, N.S.	n/a	5.70	483.00	n/a
9	Bay of Exploits (Botwood and Lewisporte), N.L.	2,672.00	13.70	1,302.00	n/a
10	Holyrood, N.L.	2,448.00	7.75	790.00	n/a
11	Humber Arm, N.L.	2,622.00	11.20	1,311.00	n/a
12	Placentia Bay, N.L.	3,298.00	5.81	2,488.00	600.00
13	St. John's, N.L.	2,448.00	7.75	790.00	80.00
14	Stephenville, N.L.	2,374.00	12.18	1,157.00	n/a
15	Charlottetown, P.E.I.	n/a	3.63	369.00	n/a

B. COMPULSORY PILOTAGE AREAS — TRIPS THROUGH (TABLE 2)

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Item	Compulsory Pilotage Area	Flat Charge, No Pilot Boat Used (\$)	Flat Charge, Pilot Boat Used (\$)	Unit Charge (\$/pilotage unit)	Basic Charge (\$)	Budgeted Fuel Consumption (litres)
1	Saint John, N.B.	1,426.00	1,426.00	n/a	n/a	110.00
2	Miramichi, N.B.	n/a	n/a	6.30	565.00	n/a
3	Restigouche (Zone A, Dalhousie and Zone B, Campbellton), N.B.	n/a	n/a	9.16	1,020.00	n/a
4	Halifax, N.S.	n/a	n/a	3.04	779.00	140.00
5	Cape Breton (Zone A, Sydney), N.S.	n/a	n/a	7.66	1,284.00	108.00
6	Cape Breton (Zone B, Bras d'Or Lake), N.S.	n/a	n/a	11.17	1,796.00	108.00

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Item	Compulsory Pilotage Area	Flat Charge, No Pilot Boat Used (\$)	Flat Charge, Pilot Boat Used (\$)	Unit Charge (\$/pilotage unit)	Basic Charge (\$)	Budgeted Fuel Consumption (litres)
7	Cape Breton (Zones C and D, Strait of Canso), N.S.	n/a	2,102.00	n/a	n/a	290.00
8	Pugwash, N.S.	n/a	n/a	5.70	483.00	n/a
9	Bay of Exploits (Botwood and Lewisporte), N.L.	n/a	n/a	13.70	1,302.00	n/a
10	Holyrood, N.L.	n/a	n/a	7.75	790.00	n/a
11	Humber Arm, N.L.	n/a	n/a	11.20	1,311.00	n/a
12	Placentia Bay, N.L.	n/a	n/a	5.81	2,488.00	600.00
13	St. John's, N.L.	n/a	n/a	7.75	790.00	80.00
14	Stephenville, N.L.	n/a	n/a	12.18	1,157.00	n/a
15	Charlottetown, P.E.I.	n/a	n/a	3.63	369.00	n/a
16	Confederation Bridge, P.E.I.	765.00	1,639.00	n/a	n/a	n/a

C. COMPULSORY PILOTAGE AREAS — MOVAGES (TABLE 3)

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
Item	Compulsory Pilotage Area	Flat Charge (\$)	Minimum Charge (\$)	Unit Charge, No Pilot Boat Used (\$/pilotage unit)	Basic Charge, No Pilot Boat Used (\$)	Unit Charge, Pilot Boat Used (\$/pilotage unit)	Basic Charge, Pilot Boat Used (\$)	Budgeted Fuel Consumption (litres)
1	Saint John, N.B.	n/a	1,701.00	3.92	847.00	4.43	953.00	110.00
2	Miramichi, N.B.	622.00	n/a	n/a	n/a	n/a	n/a	n/a
3	Restigouche (Zone A, Dalhousie and Zone B, Campbellton), N.B.	n/a	1,836.00	7.32	816.00	8.24	918.00	n/a

	Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7	Column 8
Item	Compulsory Pilotage Area	Flat Charge (\$)	Minimum Charge (\$)	Unit Charge, No Pilot Boat Used (\$/pilotage unit)	Basic Charge, No Pilot Boat Used (\$)	Unit Charge, Pilot Boat Used (\$/pilotage unit)	Basic Charge, Pilot Boat Used (\$)	Budgeted Fuel Consumption (litres)
4	Halifax, N.S.	n/a	1,559.00	2.43	623.00	2.74	701.00	140.00
5	Cape Breton (Zone A, Sydney), N.S.	n/a	2,373.00	6.11	1,028.00	6.89	1,158.00	108.00
6	Cape Breton (Zone B, Bras d'Or Lake), N.S.	n/a	2,753.00	10.83	1,744.00	12.20	1,962.00	108.00
7	Cape Breton (Zones C and D, Strait of Canso), N.S.	n/a	1,632.00	3.91	1,059.00	4.39	1,192.00	290.00
8	Pugwash, N.S.	521.00	n/a	n/a	n/a	n/a	n/a	n/a
9	Bay of Exploits (Botwood and Lewisporte), N.L.	n/a	2,404.00	10.97	1,044.00	12.34	1,174.00	n/a
10	Holyrood, N.L.	n/a	2,203.00	6.20	631.00	6.98	711.00	n/a
11	Humber Arm, N.L.	n/a	2,359.00	8.97	1,047.00	10.09	1,180.00	n/a
12	Placentia Bay, N.L.							
	(a) between Whiffen Head and Come By Chance terminals	n/a	1,648.00	2.91	1,244.00	n/a	n/a	n/a
	(b) any other area	n/a	2,967.00	4.65	1,991.00	5.22	2,239.00	600.00
13	St. John's, N.L.	n/a	2,203.00	6.20	631.00	6.98	711.00	80.00
14	Stephenville, N.L.	n/a	2,137.00	9.74	925.00	10.98	1,040.00	n/a
15	Charlottetown, P.E.I.	400.00	n/a	n/a	n/a	n/a	n/a	n/a

D. OTHER PORT AND HARBOUR AREAS (NEW BRUNSWICK, NOVA SCOTIA, PRINCE EDWARD ISLAND, AND QUEBEC)— ONE-WAY TRIPS AND MOVAGES (TABLE 4)

	Column 1	Column 2	Column 3	Column 4
Item	Port or Harbour Area	Minimum Charge, One-way Trip (\$)	Unit Charge, One-way Trip (\$/pilotage unit)	Movage Charge (\$)
1	Caraquet, N.B.	800.00	4.56	680.00
2	Belledune, N.B.	800.00	4.56	680.00
3	Sheet Harbour, N.S.	800.00	4.56	680.00
4	Shelbourne, N.S.	800.00	4.56	680.00
5	Pictou, N.S.	800.00	4.56	680.00
6	Souris, P.E.I..	800.00	4.56	680.00
7	Summerside, P.E.I.	800.00	4.56	680.00
8	Chandler, Q.C.	800.00	4.56	680.00
9	Any port or harbour area that is a non-compulsory pilotage area	800.00	4.56	680.00

- For greater certainty, where pilotage services are provided for a tug and barge or barges, the pilotage unit to be used in the formulae is the sum of the pilotage units of each ship that is subject to compulsory pilotage or in respect of which pilotage services are requested.
- For greater certainty, where the services of more than one pilot are used, the charges for those services shall be determined by multiplying the number of pilots by the charges calculated below.

COMPULSORY PILOTAGE AREAS — ONE-WAY TRIPS

The charge for a ship, other than a dead ship or an oil rig, for a one-way trip in a compulsory pilotage area set out in Table 1 is the sum of X and the greater of Y and Z

where

X = a fuel charge determined by the following formula:

$$\mathbf{AFP \times BFC}$$

where

AFP = the average price, in dollars per litre, for fuel for the pilot boat used in the compulsory pilotage area, based on invoices received by the Authority for fuel supplied to the pilot boat in the calendar month that is two months before the month in which the one-way trip is undertaken, and

BFC = the budgeted fuel consumption set out in column 5 of that item, or 0 if "n/a" is set out in column 5 of that item;

Y = the minimum charge set out in column 2 of that item; and

Z = the amount determined by the following formula:

$$\text{(the greater of (PU} \times \text{UC) and (GT} \times \text{TC))} + \text{BC}$$

where

PU = the pilotage unit,

UC = the unit charge set out in column 3 of that item,

GT = the gross tonnage,

TC = the tonnage charge of \$0.0175 per gross ton, and

BC = the basic charge set out in column 4 of that item.

COMPULSORY PILOTAGE AREAS — TRIPS THROUGH

(1) If a pilot boat is not used, the charge for a ship, other than a dead ship or an oil rig, for a trip through a compulsory pilotage area set out in Table 2 is the flat charge set out in column 2 of that item or, if "n/a" is set out in column 2 of that item, the amount determined by the following formula:

$$\text{(PU} \times \text{UC)} + \text{BC}$$

where

PU = the pilotage unit;

UC = the unit charge set out in column 4 of that item; and

BC = the basic charge set out in column 5 of that item.

(2) If a pilot boat is used, the charge for a ship, other than a dead ship or an oil rig, for a trip through a compulsory pilotage area set out in column 1 of an item of Table 3 is the sum of X and the greater of Y and Z

where

X = a fuel charge determined by the following formula:

$$\mathbf{AFP \times BFC}$$

where

AFP = the average price, in dollars per litre, for fuel for the pilot boat used in the compulsory pilotage area, based on invoices received by the Authority for fuel supplied to the pilot boat in the calendar month that is two months before the month in which the trip is undertaken, and

BFC = the budgeted fuel consumption set out in column 6 of that item, or 0 if "n/a" is set out in column 6 of that item;

Y = the flat charge set out in column 3 of the item; and

Z = the amount determined by the following formula:

$$\mathbf{(PU \times UC) + BC}$$

where

PU = the pilotage unit,

UC = the unit charge set out in column 4 of that item, and

BC = the basic charge set out in column 5 of that item.

COMPULSORY PILOTAGE AREAS — MOVAGES

The charge for a ship, other than a dead ship or an oil rig, for a movage in a compulsory pilotage area set out in Table 3 is the sum of X and the flat charge set out in column 2 of that item or, if "n/a" is set out in column 2 of that item, the sum of X and Y

where

X = a fuel additional charge determined by the following formula:

$$\mathbf{AFP \times BFC}$$

where

AFP = the average price, in dollars per litre, for fuel for the pilot boat used in the compulsory pilotage area, based on invoices received by the Authority for fuel supplied to the pilot boat in the calendar month that is two months before the month in which the movage is undertaken, and

BFC = the budgeted fuel consumption set out in column 8 of that item, or 0 if “n/a” is set out in column 8 of that item; and

Y = the greater of the minimum charge set out in column 3 of that item and the amount determined by the following formula:

$$(PU \times UC) + BC$$

where

PU = the pilotage unit,

UC = the unit charge set out in column 4 of that item if a pilot boat is not used or the unit charge set out in column 6 of that item if a pilot boat is used,

BC = the basic charge set out in column 5 of that item if a pilot boat is not used or the basic charge set out in column 7 of that item if a pilot boat is used, and

COMPULSORY PILOTAGE AREA OF VOISEY'S BAY

Due to the unique nature of pilotage service in Voisey's Bay, the pilotage charge for a ship, other than a dead ship or an oil rig, for a one-way trip or a movage in the area, a daily rate is applied for each 24-hour period, or part of a 24-hour period. This period shall begin when the pilot leaves the place of dispatch and ends when the pilot returns to the place of dispatch, and includes time spent on travel that is directly related to the pilotage assignment.

COASTAL AREAS — ONE-WAY TRIPS AND MOVAGES

For pilotage performed in a coastal area, other than a dead ship or an oil rig, a daily rate is applied for each 24-hour period, or part of a 24-hour period.

The 24-hour period referred to above

(a) begins

- **(i)** where the services are immediately preceded by pilotage services in a compulsory pilotage area or a port or harbour area, when the ship leaves that area, and
- **(ii)** in any other case, when the pilot leaves the place of dispatch;

(b) ends

- **(i)** where the services are immediately followed by pilotage services in a compulsory pilotage area or a port or harbour area, when the ship enters that area, and
- **(ii)** in any other case, when the pilot returns to the place of dispatch; and

(c) for the purposes of subparagraphs (a)(ii) and (b)(ii), includes time spent on travel or delay on shore that is directly related to the pilotage assignment.

Where the provision of the services in a coastal area results in the pilot being unavailable for the pilot's normal duties and it is necessary to replace the pilot with another pilot for the period of absence, an additional charge equal to the sum of the following is payable:

- **(a)** the amount paid by the Authority for the services of the replacement pilot, and

- **(b)** \$228 for each 24-hour period, or part of a 24-hour period, that the replacement pilot is necessary.

PORT OR HARBOUR AREAS — ONE-WAY TRIPS

The pilotage charge for a ship, other than a dead ship or an oil rig, for a one-way trip in a port or harbour area set out in Table 4 is the greater of

- (a)** the minimum charge set out in column 2 of that item, and
- (b)** the amount determined by the following formula:

$$\text{PU} \times \text{UC}$$

where

PU = the pilotage unit,

UC = the unit charge set out in column 3 of that item.

PORT OR HARBOUR AREAS — MOVAGES

The charge for a ship, other than a dead ship or an oil rig, for a movage in a port or harbour area set out in Table 4 is the amount set out in column 4 of that item.

Other Charges

Other Pilotage Charges are applied in addition to these movement charges for specific activities, services, or cost recoveries applicable to the actual assignment and may include:

- **Dead Ships**
 - The charge for a trip or movage of a dead ship is an amount equal to twice the charge that would be payable if the ship were not a dead ship.
- **Oil rigs**
 - The charge for an oil rig for a one-way trip or a movage is the greater of
 - (a)** a specified minimum charge, and
 - (b)** the amount determined by multiplying the pilotage unit (PU) of the oil rig by a unit charge (UC).
- **Pilot Boats**
 - The charge for the use of a pilot boat for an oil rig, cancellation, or safety watch in a compulsory area is equal to the basic charge for that area.
 - The charge for the use of a pilot boat in a non-compulsory area is equal to the basic charge, if dispatched from a compulsory area, or the actual cost of the pilot boat service to the Authority.
 - For the compulsory areas of Pugwash, NS, Charlottetown, PE, Humber Arm, NL (Winter), Stephenville, NL, Miramichi, NB, and Restigouche, NB, the charge for the use of a pilot boat is the actual cost of the pilot boat service to the Authority.
- **Locks**
 - A flat charge is payable in respect of the passage of a ship through Canso Lock or St. Peter's Lock.
- **Trial trips**
 - An hourly charge is applied for conducting trials with a pilot's assistance.

- Compass Adjustments
 - A flat charge is applied for ship movements required for adjusting a ship's compasses or calibrating a ship's direction finders.
- Dry Dock
 - A flat charge is payable where a pilot conducts a ship into or out of a dry dock, floating dock, graving dock, or onto or off of a syncrolift or a cradle.
- Detention on Board Ship
 - An hourly charge is applied if a pilot is detained on board ship for any reason other than adverse weather conditions.
- Detention on Shore
 - An hourly charge is applied if pilotage services are requested and the pilot reports for duty at the pilot station and is detained there
- Detention on Oil Rigs
 - Where, owing to adverse weather conditions, a pilot is unable to disembark from an oil rig after the pilot has piloted the oil rig or been on duty on board the oil rig to perform a safety watch, a charge equal to the Oil Rig charge will be added.
- Travel and Other Expenses Pilots
 - Travel, meal and lodging expenses incurred by a pilot that are directly related to a pilotage assignment are payable as pilotage charges.
- In-Transit Charges
 - When a pilot is transported to an area other than the one for which pilotage service is requested, a charge an hourly charge is payable for the period commencing when the pilot begins to travel to the area for which pilotage service is requested and ending when the pilot begins to perform pilotage duties.
- Overcarriage Charges
 - If a pilot is carried on board ship beyond the area for which pilotage service is requested, an hourly charge is payable for the period it takes to return the pilot to the place where the pilot was taken on board the ship.
- Safety Watches
 - If the owner, master or agent of a ship other than an oil rig, or the Authority, requires a pilot to be on duty on board the ship for reasons relating to safety, an hourly charge is payable.
- Cancellations
 - If pilotage services are requested for a ship and after a pilot reports for pilotage duty the request is cancelled for any reason, including weather, a charge equal to the basic charge for the specific area is payable, to a specified maximum.
- Deficit Additional charges
 - From time-to-time the Authority will apply a deficit additional charge for a specified period. This charge will be a percentage additional charge payable on each flat charge, minimum charge, unit charge, basic charge and cancellation charge payable for specified areas. Further details or commitments may be included in the definition of the specific additional charge.

10. CONSULTATION

Consultations in various forms took place with the affected parties throughout 2020. Formal consultation sessions were held either in-person or via video conference for the following stakeholders:

- Halifax, N.S. (May 7 and August 17, 2020)
- Cape Breton, N.S. (May 20 and August 12, 2020)
- Saint John, N.B. (May 1 and August 13, 2020),
- St. John's, NL and Holyrood, NL (May 12 and August 26, 2020)
- Placentia Bay, NL (May 1 and August 26, 2020),
- Corner Brook, NL, Bay of Exploits, NL, and Stephenville, NL (August 27, 2020).

Participation varied in each port depending upon the makeup of local industry, but generally included ship-owners and operators, agents, facility management, port authorities, and other stakeholders.

Separate consultation sessions were with the Shipping Federation of Canada, which represents foreign vessels and accounts for 77-79% of the Authority's activity and revenue (May 26 and September 8, 2020). In addition to these formal consultation sessions, the Authority engaged stakeholders through other formats, including written, in-person, and telephone communications with individuals and groups.

Alternatives to tariff increases were presented, where applicable, and feedback from participants was encouraged. For various ports and districts, the alternative to increased tariff rates would be a reduction in pilot numbers or availability. The most serious reductions in traffic have been due to COVID-19 and are not expected to be long-term. This makes it difficult to reduce pilot numbers without impacting service levels for industry immediately and having a more severe effect when the recovery begins. Stakeholders have expressed to the Authority that the proposed rate increases are significant to the marine industry. Based on updated traffic estimates provided by several users, port-by-port rate increases were removed from two compulsory pilotage areas for this notice. Additionally, the Deficit Additional Charge was spread over an additional year, but at a lower percentage rate, to reduce the annual impact on industry.

11. INFORMATION REGARDING NOTICE AND ON MAKING REPRESENTATIONS TO THE AUTHORITY

This Details and Principles Document is available on-line and a copy may be downloaded from the Authority's website at <https://www.atlanticpilotage.com/>.

Information on the existing charges is also provided in the Authority's website. Additional copies of this Notice may be obtained by contacting the Authority:

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Halifax, NS B3J 3K9

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